

This single chapter on the political environment is excerpted from the FY 2005 Country Commercial Guide for Kuwait. The full text of the report is also available on this website.

### **CHAPTER 3**

#### ***POLITICAL ENVIRONMENT***

---

#### **NATURE OF POLITICAL RELATIONSHIP WITH THE UNITED STATES**

The relationship between the U.S. and Kuwait remains strong. During the years since the liberation of Kuwait by the U.S.-led coalition forces, a shift has occurred in the buying patterns of Kuwaitis, particularly in the government and defense sectors. The perceived "goodwill advantage" that American companies enjoyed because of the role the U.S. played in liberating Kuwait has given way to the pressures of strong competition from market forces and accelerated marketing efforts of other coalition member countries.

American companies are successful in winning a significant share of defense-related contracts, which are awarded largely on the basis of technical capabilities and price. U.S. technology is highly respected in the Kuwaiti market, and efforts are presently underway to develop technical standards for industrial and consumer goods that mirror those of the United States.

#### **MAJOR POLITICAL ISSUES AFFECTING THE BUSINESS CLIMATE**

In terms of safety and security, there are no issues that interfere with normal business operations. U.S. firms should be aware however that Kuwait is considered a high-threat country for terrorism. Kuwait has signed defense cooperation agreements with the United States, the U.K., France, Russia and China.

The government of Kuwait continues to pursue the 'Kuwaitization' of the labor force. Although initial plans to reduce the number of expatriates in the country are now seen as unrealistic, public and political pressure will continue for all firms and government ministries to reduce their dependency on non-Kuwaitis. An increase in the number of Kuwaiti employees will increase the demand for training, consulting, and educational services, which non-Kuwaitis as well as Kuwaitis will provide in the near future. The long-term goal of such training will be to replace expatriates with Kuwaitis, particularly in managerial, financial, engineering, computer and other technical areas. Kuwait will generally seek information technology to reduce the number of employees, especially expatriates.

The government of Kuwait encourages joint ventures between foreign and Kuwaiti organizations. A sign of continued movement toward a more liberal economic system, Kuwait has adopted a new law regarding non-Kuwaitis trading in Kuwaiti joint stock companies listed on the Kuwait Stock Exchange. The law authorizes foreign ownership of shares of some Kuwaiti publicly-listed companies for the first time. The government plans to revise, and in some cases repeal, other regulations that have a negative impact on foreign investment in Kuwait, especially in cases involving technology transfer.

#### **BRIEF SYNOPSIS OF THE POLITICAL SYSTEM**

Kuwait is a constitutional hereditary emirate, ruled by Amirs drawn from the Al-Sabah family, which has ruled Kuwait since 1756. Succession as Amir is restricted by the 1962 constitution to descendants of the late Mubarak al-Sabah "the Great" (r. 1896-1915). Kuwait's current head of state is His Highness Amir

Sheikh Jaber Al-Ahmad Al-Jaber Al-Sabah. He exercises executive power through his appointed Prime Minister (traditionally, but not currently, the Crown Prince) and the Council of Ministers. The current Prime Minister, HH Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, who recently replaced Crown Prince Sheikh Saad Al-Abdullah Al-Salem Al-Sabah in this position, has selected ministers from a broad range of Kuwaiti society, though members of the Al-Sabah family fill many of the most important positions. At present, the ministers of Interior, Defense, Communications, Energy and Foreign Affairs are members of the ruling family.

Working with the Council of Ministers, the Amir may formulate decrees, which are then subject to the approval of the National Assembly. He may also establish public institutions. He is able to ask for reconsideration of a bill passed by the National Assembly and sent to him for ratification, but the bill automatically becomes law, if it is subsequently passed by a two-thirds majority vote at the next sitting, or by a simple majority at a subsequent sitting. The Amir may declare martial law in an emergency, but only with the approval of the Assembly. Kuwait is divided administratively into six governorates: Ahmadi, Farwaniya, Hawalli, Jahra, Mubarak Al-Kabir and the Capital (Kuwait City). A governor which has ministerial rank and which is appointed on recommendation of the Minister of Interior heads each of these.

Legislative power rests with the National Assembly. This unicameral body has fifty elected members (2 each from 25 constituencies), who serve a four-year term. In addition, the appointed members of the Council of Ministers are ex-officio voting members of the national Assembly; the number of Ministers cannot exceed one-third of the number of members of the National Assembly. The Constitution requires that at least one elected National Assembly member serves as a minister. Elections by secret ballot must be held at least once every four years. Candidates nominate themselves and must be adult male, Kuwaiti citizens. In May 1999, the Amir constitutionally dissolved a deadlocked Parliament and arranged to hold elections within the mandated 60-day period. These elections were generally considered to be free and fair. The last elections were held in July 2003. While allegations of vote buying persist, the election was generally considered to be free and fair.

The National Assembly has assumed an active role in Kuwait's political life, writing and enacting legislation, approving and disapproving the Amir's legislative proposals, and taking a strong hand in formulating the national budget. National Assembly members are free to criticize the government and often require Cabinet ministers to answer their questions in formal open sessions commonly known as grillings. The Assembly may pass a vote of no confidence regarding a minister, in which case the minister must resign. Such a vote is not permissible in the case of the Prime Minister, but the National Assembly may approach the Amir on the matter, and the Amir will then either dismiss the Prime Minister or dissolve the National Assembly for new elections. Parliamentary committees often scrutinize government actions. In 1995, for example, one committee released an investigative report, later referred to the Public Prosecutor, alleging widespread irregularities and malfeasance in past Defense Ministry procurement activities. In 2001, in response to calls from many Assembly members, the government reopened an investigation of irregularities in the Kuwait Petroleum Company and the Kuwait Oil Tanker Company that involved a former minister and Al-Sabah family member.

The Judicial Authority is divided into three sections:

The Court of First Instance considers disputes related to (personal status, civil, commercial, labor, rents and administrative cases). It also considers crimes and misdemeanors.

The Court of Appeal considers appealed verdicts passed by the Court of First Instance.

The Court of Cassation considers commercial, labor, civil, personal status and criminal cases appealed to it from the verdicts of the Court of Appeal.

Islamic Sharia plays a significant role in personal status matters (marriage, divorce, inheritance, etc.) which are handled by Sharia-based courts and verdicts, separate for Sunnis and Shias due to their different schools of jurisprudence.

### **POLITICAL PARTICIPATION**

While political parties are banned, the government has for many years permitted the formation of a number of informal political groups that act much like parties. These groups compete against each other openly in elections and in the Assembly. Among the more significant groups are: the Kuwait Democratic Forum, a liberal Arab nationalist leftist group; the National Democratic Movement which consists of groups of liberal young Kuwaitis considering themselves as independent political organization with Kuwaiti identity, national leaning and democratic methodology; the National Democratic Alliance, a recently-formed grouping that brings together the Kuwait Democratic Forum, the National Democratic Movement and Independent Liberal Kuwaitis; the Islamic Constitutional Movement, a Sunni Muslim group drawing its inspiration from the Muslim Brotherhood; the Salafi Group and the Salafi Movement (Islamic groups that advocate social reforms similar to Wahhabism); the National Islamic Alliance, a loose grouping of religiously radical Shias close to Shiite authority in Iran.

Kuwait's unique system of informal, weekly, family-based gatherings of men -- the 'diwanias' -- is explicitly protected by the constitution. Virtually any topic (e.g., politics, business, society) may be freely discussed at these sessions. Practically every adult male Kuwaiti-- including the Amir, members of the government and National Assembly, and business leaders -- hosts or attends diwanias. As a result, the diwanias play a role at least as important as the press and the Assembly in the development of political consensus and decision-making. More formal professional associations and scientific bodies operate and maintain international contacts under license from the government, but only one organization may exist on a given issue or interest (e.g., one engineers' society, one consumers' group, etc.).

The Constitution asserts the principle of equality, but the electoral law limits the right to vote and run for the National Assembly to male citizens over 21. The government has advocated extending the right to vote and hold public office to women, but the National Assembly and the courts have not yet followed through. In 1999, the Assembly rejected an Amiri decree granting women's rights; a similar proposal presented by Assembly members was also defeated. The government introduced a similar measure in May 2004. The courts have several times dismissed on technicalities cases in which women claimed the right to vote or to register to vote. Women are not precluded from holding diwanias; however, such diwanias are uncommon and by tradition women are barred from the men's diwanias.

### **WORKERS' RIGHTS**

Kuwaiti citizen workers, 93 percent of whom are government employees, have the right to join labor unions. Kuwaiti law, however, prevents the establishment of more than one union per functional area or more than one general confederation. Out of a total Kuwaiti and non-Kuwaiti labor force of 1,418,804 in June 2003, union membership accounted for only 60,000 (around 15,000 in the oil sector and 45,000 in the government sector), mostly Kuwaitis (although foreign workers may also join unions as nonvoting members), organized in 14 unions (9 government and 5 oil). All but two of the unions, the Banks Workers' Union and the Kuwait Airways Workers' Union, are affiliated with the Kuwait Trade Union

Federation (KTUF). The oil unions and the government unions have equal representation in the 90-member KTUF Assembly. Around 20 other labor unions have recently been licensed, some of them have applied for joining the KTUF and some others are still completing the necessary organizational procedures. Accordingly, the organizational structure of the Kuwaiti trade unionist movement will witness some changes in the near future.

Collective bargaining by the union with the public or private sector employer may be appealed to the Ministry of Social Affairs and Labor or ultimately to a labor arbitration board, including officials from the Ministry of Social Affairs and Labor, the Attorney General's Office and the High Court of Appeals. Kuwaiti government workers are legally entitled to a minimum wage, but workers in the private sector are not. All workers in Kuwait are entitled to medical care and compensation for work-related injury or illness, including illness resulting from exposure to hazardous substances. Public health care is currently provided free of charge to all citizens of Kuwait. However, the National Assembly passed legislation in April 2000, which imposes health insurance fees for expatriate laborers and requires employers to cover them. Workers in the private sector have the right to strike, limited by compulsory negotiation followed by arbitration if a settlement cannot be reached.

Kuwait's foreign (expatriate) workers, most of whom work in the private sector, have the right to join unions as non-voting members, the right to receive a minimum wage in the public sector, the right to medical care and workman's compensation in the event of a work-related injury or illness, and the right to strike in the private sector.

Expatriates dominate the private sector in Kuwait, and post-liberation government efforts to reduce their numbers have failed. The government of Kuwait requires expatriate workers applying for residency visas for their families to have a minimum monthly income of KD 400. A new draft labor law, currently being reviewed by the government, would benefit all workers, but especially expatriates. The bill would establish a private sector minimum wage, limit the workweek for laborers, and deter visa trading. Domestic servants are not yet covered by the labor law in Kuwait; the Ministry of Social Affairs and Labor announced recently it is preparing a new one.

---

**Please Note:** *Country Commercial Guides are available to U.S. exporters on the website: <http://www.export.gov> or contact the U.S. Commercial Service office in Kuwait by fax at (965) 538-0281 or email at [kuwait.city.office.box@mail.doc.gov](mailto:kuwait.city.office.box@mail.doc.gov)*

**Country Commercial Guides** can be ordered in hard copy or on diskette from the **National Technical Information Service (NTIS)** at **1-800-553-NTIS**. U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** of the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to one of the following websites: [www.usatrade.gov](http://www.usatrade.gov) or [www.tradeinfo.doc.gov](http://www.tradeinfo.doc.gov)

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.